



WASHINGTON STATE LEGISLATURE

Joint Committee on Pension Policy

2420 Bristol Court S.W., Suite 101 – P.O. Box 40914

Olympia, WA 98504-0914

FAX: (360) 586-8135 (360) 753-9144 TDD: 1-800-635-9993

July 10, 2002

10 AM - 1 PM

Senate Hearing Room 4
Olympia

REVISED AGENDA

- 10:00 AM **(1) Personnel Committee Report**
- 10:30 AM **(2) Public Safety Cost Examples – David Pringle**
- 10:45 AM **(3) Membership and Service Credit – Robert Baker, Senior Research Analyst**
- 11:45 AM **(4) EMTs into LEOFF – David Pringle, Research Analyst**
- 12:15 PM **(5) Governance – Robert Baker**
- 1 PM **(6) Adjourn**

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Joint Committee on Pension Policy meetings should call (360) 753-9695. TDD 1-800-635-9993

Senators: Don Carlson, Chair; Karen Fraser; Harold Hochstatter; Ken Jacobsen; Debbie Regala; Linda Evans Parlette; Harriet Spanel; Shirley Winsley
Representatives: Steve Conway, Vice Chair; Gary Alexander; Glenn Anderson; Mike Cooper; Jerome Delvin; Bill Fromhold; Cheryl Pflug; Geoff Simpson

JOINT COMMITTEE ON PENSION POLICY

Proposed Meeting Schedule

(July 11, 2002)

April 17, 2002

10 AM - 12:30 PM, House Hearing Room A

Election of Officers
Meeting Schedule; Interim Issues
Session Update
Funding Projections

May 13, 2002

10 AM - 1 PM, Senate Hearing Room 4

Plan 1 Retiree COLAs
Governance
Actuarial Presentation

June 19, 2002

10 AM - 1 PM, Senate Hearing Room 4

Governance
Public Safety Benefits

July 10, 2002

10 AM - 1 PM, Senate Hearing Room 4

Membership and Service Credit
EMTs into LEOFF
Governance
Public Safety Cost Examples

August 14, 2002

10 AM - 1 PM, Senate Hearing Room 4

Pension-related Initiatives Report
LEOFF 2 Duty-related Disability
Excess Compensation

September 18, 2002

1 - 4 PM, Senate Hearing Room 4

Pension Policy 101
Veteran definition
Pension Funding Council Report
SIB Orientation

October 16, 2002

10 AM - 1 PM, Senate Hearing Room 4

Post-retirement Employment Status Report

November 13, 2002

10 AM - 1 PM, Senate Hearing Room 4

Legislation

December 4, 2002

12:30 - 3:30 PM, Senate Hearing Room 4

Legislation

Public Safety

Early Retirement Costs

Increase in Employee Contributions

	<u>Rule of 90</u>	<u>Rule of 85</u>	<u>Rule of 80</u>
1. Fish & Wildlife Average Age 40 Average Service 12			
Initial Cost	3.3%	7.3%	10.5%
Long Term Cost	1.1%	2.3%	3.2%
Average Lump Sum	\$13,000	\$27,000	\$36,000
2. Sample Life Age 50 Service 20			
Initial Cost	4.8%	12.8%	28.6%
Long Term Cost	0.8%	2.1%	3.8%
Lump Sum	\$17,000	\$41,000	\$74,000
3. Sample Life Age 40 Service 20			
Initial Cost	10.1%	11.9%	13.7%
Long Term Cost	2.4%	2.8%	3.1%
Lump Sum	\$49,000	\$55,000	\$61,000

Note initial cost includes the cost for past service.

Eventually this cost would lower to the long term cost.

Another option would be to allow the employee to elect to pay the lump sum cost shown for past service, and everyone to pay the long term cost immediately.



PERS and SERS Membership & Service Credit

Robert Wm. Baker
Sr. Research Analyst

Joint Committee on Pension Policy
July 10, 2002

Membership & Service Credit Summary

- Lots of terminations in PERS and SERS
- Many are enrolled in PERS and SERS who should not be
- PERS and SERS Membership & Service Credit rules in are generous
- Membership is not necessarily beneficial

JCPP Motion

"The Joint Committee on Pension Policy moves that the issues of membership requirements and service credit related to substitute, temporary, and part-time employees in the Public Employees' Retirement System and the School Employees' Retirement System be studied during the 2002 interim."

Membership Requirements

PERS & SERS 2/3

... employed in an *eligible position* that, as defined by the employer, normally requires five or more months of service a year for which regular compensation for at least seventy hours is earned.

Membership Requirements *cont.*

PERS & SERS 2/3

If a “temporary” employee in either PERS or SERS is substituting for an employee in an eligible position, they then are also eligible and must be reported.

Creating Ineligible Positions

An employer may frequently need personnel to fill in for employees who are absent or on leave. The employer may create positions to fill these temporary needs. Those positions may be ineligible.

Ineligible May Become Eligible

A worker in an ineligible position may, by working the requisite months and hours, become eligible.

Membership Design

PERS & SERS 2/3

- Prospective
 - Eligibility of positions
- Retroactive
 - Eligibility of individuals

Service Credit Requirements

PERS & SERS 2/3

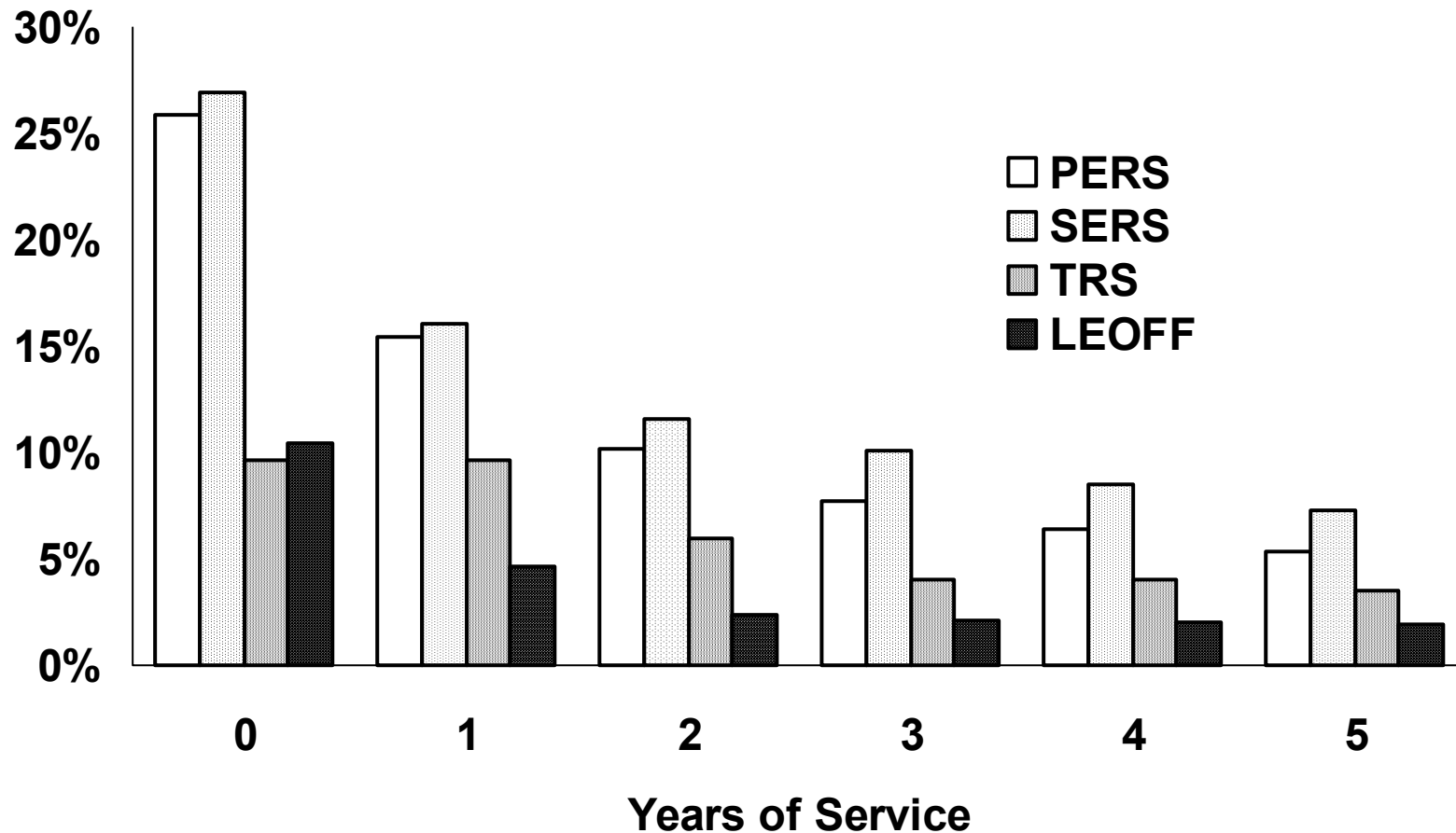
- 1 service credit month for 90 or more hours of compensation a month.
- $\frac{1}{2}$ service credit month for at least 70 but less than 90 hours of compensation.
- $\frac{1}{4}$ service credit month for less than 70 hours compensation.

PERS & SERS Terminations

1995-1998



Probability of Termination by System: 1995-1998



Membership & Service Credit Data

PERS and SERS

- Short-term Terminated
 - PERS: Hired & terminated in CY 2001
 - SERS: Hired & terminated in 2000-2001 SY
- Non-vested
 - Less than 5 years of service in plan 2
 - Less than 10 years of service in plan 3

Comparisons

- Neighboring States
 - Oregon
 - Idaho
- Largest State
 - California
- Fastest Growing State
 - Nevada
- Local Municipal System
 - Tacoma

SERS Employment

By Select School Districts

School District	Total SERS Employment	Short-term	
		Number	Percent
Seattle	1,956	35	1.8%
Tacoma	1,408	32	2.3%
Spokane	1,345	16	1.2%
Kent	1,289	38	3.0%
Vancouver	1,276	33	2.6%
Evergreen	1,176	129	11.0%
Edmonds	1,049	26	2.5%
Federal Way	1,014	4	0.4%
Lake Washington	1,012	15	1.5%
Total all Employers	40,939	944	2.3%

Short-term SERS Employees

By School District & Membership Qualification

School District	Short-term	Did Not Qualify	
		Number	Percent
Evergreen	129	123	95.3%
Highline	46	43	93.5%
Bellevue	38	20	52.6%
Kent	38	19	50.0%
Seattle	35	22	62.9%
Vancouver	33	24	72.7%
Clover Park	22	16	72.7%
Shoreline	18	13	72.2%
Lakewood	14	14	100.0%
Total all Employers	944	584	61.9%

PERS Employment

By Select Employers

Employer	Total PERS Employment	Short-term	
		Number	Percent
U of W	11,902	483	4.1%
DSHS	9,032	192	2.1%
Fish & Wildlife	1,430	128	9.0%
Parks & Recreation	489	113	23.1%
WSU	2,224	110	4.9%
Snohomish County	2,202	104	4.7%
DOT	4,427	97	2.2%
Energy Northwest	1,002	80	8.0%
Western State	1,814	77	4.2%
Total Employment	119,083	3,675	3.1%

Short-term PERS Employees

By Employer & 350 Hr. Membership Threshold

Employer	Short-term	Under 350 Hour Threshold	
		Number	Percent
U of W	483	296	61.3%
DSHS	192	121	63.0%
Fish & Wildlife	128	63	49.2%
Parks & Recreation	113	51	45.1%
WSU	110	79	71.8%
Snohomish County	104	52	50.0%
DOT	97	33	34.0%
Energy Northwest	80	53	66.3%
Western State	77	36	46.8%
Total Employment	3,675	1,863	50.7%

SERS Short-term Members by Hours Worked and Eligibility

Hours	Number	Ineligible	Percent
Under 350	383	383	100.0%
350-770	363	201	<u>55.4%</u>
Over 770	198	0	0.0%
Total	944	584	61.9%

PERS Short-term Members by Hours Worked and Eligibility

Hours	Number	Ineligible	Percent
Under 350	1,863	1,863	100.0%
350-770	1,121	621	<u>55.4%</u>
Over 770	691	0	0.0%
Total	3,674	2,484	67.6%

Costs of Membership

- Employer contributions
- Member contributions
 - Withdrawal penalty
- Loss of other financial options

Contributions

- SERS
 - Employer: 4.44%
 - Member: 2.43%
- PERS
 - Employer: 2.99%
 - Member: 1.66%

Total Employer and Employee Contributions for Short-term PERS and SERS Members

System	Annual Avg. Wage	Total Contributions		Not Eligible Contr.	
		Employer	Employee	Employer	Employee
SERS	\$5,567	\$233,327	\$127,699	\$75,184	\$41,148
PERS	\$5,837	\$641,393	\$356,091	\$106,873	\$59,334

Membership Comparisons

System	Membership Requirements
Cal PERS	Permanent, full-time
Cal STRS	Employed to perform creditable service on a full-time basis
Idaho PERSI	General: 20+ hrs/wk, 5 or more consecutive months Teachers: ½ time +, 5 or more consecutive months
Nevada PERS	General: ½ time or more (1,040 hrs) Teachers: ½ time or more (720 hrs)
Oregon PERS	600 hours in a 12 month period
Tacoma	Permanent employees. Excludes those employed less than 90 days

Service Credit

System	Provisions
PERS & SERS 2/3	90+ hrs/month = 1 month service credit 70-89 hrs/month = ½ month service credit <70 hrs/month = ¼ month service credit
TRS 2/3	9 months, 810+ hrs = 12 months service credit 9 months, 630-809 hrs = 6 months service credit

Service Credit Awarded Short-term SERS

Service Credit Relative to Hours Worked	Number	Percent
Less Than	82	8.7%
Equal To	9	1.0%
Greater Than	852	90.3%
2 Times Greater	147	15.6%

Service Credit Awarded Short-term PERS

Service Credit Relative to Hours Worked	Number	Percent
Less Than	594	16.4%
Equal To	96	2.7%
Greater Than	2,930	80.9%
2 Times Greater	187	5.2%

Service Credit for Short-term

- SERS members earned service credit at an average of 1.4 times their actual hours worked
- PERS members earned service credit at an average of 1.1 times their actual hours worked

Service Credit Comparisons

SYSTEM	Service Credit
Cal PERS	1 service credit year for 10 months, 215 days, or 1,720 hours. For lesser work, service credit proportionate.
Cal STRS	Calculated as a proportion of full-time compensation.
Idaho PERSI	General: 15 or more days per month, paid for 20 or more hours per week, equals 1 service credit month. Teachers: At least a 50% contract to earn credit
Nevada PERS	General: Credit for years, months, and days actually worked. Teachers: 1 year of credit per school year. For partial year contracts, 1 1/3 days of credit for each day worked.
Oregon PERS	General: Must work the majority of the month for 1 month of credit. Teachers receive 2 summer months credit if they work from Sept to Dec, and the 3 rd summer month credit for remainder.
Tacoma	2,080 hours = 1 service credit year. Lesser hours worked earn proportionate credit.

Why Enrolled?

- Complexity of membership rules
 - Prospective and retroactive
- Difficulty of keeping records of those with infrequent work schedules
 - “Put them all in” policy
 - Break even on trade-off between contributions and administrative costs

Working the Minimum

(70 hours per month for 5 months)

- Modest pay + modest service credit = very small retirement benefit
- 2 months of service credit per year
 - 24 years to vest in plan 2
 - 48 years to vest in plan 3

Cost of Membership *(revisited)*

- Loss of other financial options
 - Ineligible for pre-tax contributions to an IRA

Policy Issues

- Compliance with rules and costs
- Who should be in a retirement plan?
- Benefits for Short-term workers

Who should be in a retirement plan?

One who has a full expectation of continued employment

Who should not be in a retirement plan?

One who has no expectation of continued employment

Profile of Short-term

- Marginal attachment to work force
 - Secondary wage earners
 - Retirees
- Some aspire to full-time

Change of Membership

August 2000 – August 2001

FROM	TO	Number
SERS	TRS	270
PERS	TRS	8,732
TOTAL		9,002

PERS members: 126,428

SERS members: 47,725

Benefits for Short-term Workers

- Is a retirement benefit useful?
 - Short-term subsidize full-time
- Is a Defined Benefit appropriate?
- Would medical coverage be preferable?
- Would more pay be preferable?

Membership & Service Credit Summary

- Lots of terminations in PERS and SERS
- Many are enrolled in PERS and SERS who should not be
- PERS and SERS Membership & Service Credit rules are generous
- Membership is not necessarily beneficial

EMT's into LEOFF

Description of 2002 Emergency Medical Technician Bills HB 2896/SB 6781

Background:

Emergency Medical Technicians (EMTs) employed by local governments in health departments or other similar divisions of local governments are members of the Public Employees' Retirement System (PERS). All employees first employed in PERS-eligible positions since 1977 have been enrolled in PERS plan 2/3, which allows for an unreduced retirement allowance at age 65.

Some EMTs have had their jobs moved from various departments in local government to fire departments. Upon meeting all the requirements to become fire fighters, such as training and passing applicable examinations, these EMTs employed at fire departments become members of the Law Enforcement Officers' and Fire Fighters' Retirement System plan 2 (LEOFF 2). Members of LEOFF 2 may retire with an unreduced allowance at age 53.

Two employers who have transferred EMTs are the City of Camas and Snohomish County. Twenty-one EMTs from these employers are now employed by fire departments and are in LEOFF 2, and most have prior service in PERS plan 2. The actuarial fiscal notes prepared for several versions of HB 2896 during the 2002 legislative session assess the cost impact for these employees under each bill. Several other employers were reported as considering a similar movement of EMTs to fire departments during the 2002 legislative session, and all versions of the bill would remain effective until July 1, 2007.

Members with years of service in each of PERS 2 and LEOFF 2 may currently utilize the portability provisions of state retirement law to combine years of service and average salary for purposes of retirement eligibility, but the retirement ages of each plan still apply to the benefit receivable from each plan.

Summary of Bill Versions:

HB 2896/SB 6781

EMTs whose jobs have been moved from a department of local government to a fire department and are now members of LEOFF 2 may apply to have any service credit earned as an EMT in PERS 2 to LEOFF 2.

An employee moving eligible service credit from PERS 2 to LEOFF 2 is required to pay to the retirement system the difference in contributions, plus interest, that would have been paid by the employee had their entire service been rendered in LEOFF 2. The employee shall complete this payment no later than five years from the date of their transfer or retirement, whichever comes first.

Upon completion of the employee's payment, the employee's contributions plus interest and an equal amount of employer contributions shall be transferred from PERS 2 to LEOFF 2. Any difference in employer contributions made to PERS 2 and the employer and state contributions that would have been made in LEOFF 2 become liabilities of LEOFF 2 and are incorporated into the LEOFF 2 contribution rates paid by all LEOFF 2 employees, employers, and the state.

This bill was passed by the house 88-9 on February 18, 2002.

SHB 2896

The substitute bill recommended by committee altered the amount that employers paid upon the employee's completion of their required payments for transferring service. In addition to the equal amount of employer contributions being transferred from PERS 2 to LEOFF 2, the employer is required to pay an amount sufficient to ensure that the contribution rates to LEOFF 2 do not increase due to the transfer of the employee's past service from PERS 2 to LEOFF 2. The employer is required to make this additional payment within five years of the employee's completion of their transfer payment.

Though recommended by the Appropriations Committee, the House of Representatives passed the original version of HB 2896.

Senate striking amendment S4874.2 to HB 2896

Amending the original bill, the striking amendment permitted both members of PERS 1 and PERS 2 to transfer past service into LEOFF 2. Employees electing to transfer service from PERS 1 or 2 to LEOFF 2 shall not retire with their transferred service under the terms of LEOFF 2 earlier than five years after the effective date the member elects to transfer service.

As in the original bill, employers have an equal amount of employer contributions transferred to LEOFF 2, and any difference in employer contributions made to PERS 2 and the employer and state contributions that would have been made in LEOFF 2 become liabilities of LEOFF 2 and are incorporated into the LEOFF 2 contribution rates paid by all LEOFF 2 employees, employers, and the state.

The Senate Ways and Means Committee adopted this amendment. No further action was taken.

All versions of the bill expire July 1, 2007.

DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

CODE:

DATE:

BILL NUMBER:

Office of the State Actuary

035

02/07/02

HB 2896/SB 6781

SUMMARY:

This bill impacts members of the Public Employees' Retirement System Plan 2 (PERS 2) and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) by enabling emergency medical technicians whose jobs were transferred from non-LEOFF employer city, town or county departments to fire departments to move past service credit earned as an emergency medical technician in PERS 2 to LEOFF 2.

To move eligible past service credit from PERS 2 to LEOFF 2, an employee is required to make a payment to the retirement system to make up for the difference in contributions, plus interest, that the employee would have made had they been in LEOFF 2 for the PERS 2 service being transferred. The employees PERS 2 contributions plus interest, and an equal amount of employer contributions, are moved from PERS 2 to LEOFF 2 upon completion of the employee's required differential payment.

This act expires July 1, 2007.

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

A member who is employed by a department of a city or county government, like a health department, as an emergency medical technician will normally be a member of PERS. A member who is employed by a city or county fire department as a fire fighter and/or emergency medical technician may be a member of LEOFF 2. The difference is, in part, because the city or county health department is not an eligible employer for LEOFF 2.

If an employee's job has been moved from a health department to a fire department, for example through the reorganization of city or county services, they may have service credit for periods of their work as an emergency medical technician in each of PERS and LEOFF, entitling them to portability benefits from each plan under Chapter 41.54 RCW.

MEMBERS IMPACTED:

We have been provided data on 6 Camas County fire fighters and 16 Snohomish County medics who are now in LEOFF. Most have prior service in PERS 2. One has service in PERS 1, another is in LEOFF 1. Two others have cashed out their savings fund in PERS 2 and no longer have prior service with PERS 2. We do not have data on any other eligible members out of the 126,428 active PERS 2 members or the 13,133 active LEOFF 2 members.

Based on the data supplied and assuming the transfer payment is made on the valuation date, the average person would be required to pay \$14,000 to have an average of 11 years of service transferred. Those in LEOFF 2 are eligible to retire at age 53 with an unreduced benefit, and those with 20 or more years of service could retire at age 50 with 91% of their benefit. If this service remained in PERS 2 only those with 20 or more years could retire at age 55 with 35% of their unreduced benefit. The estimated average pay for this group is currently \$64,600 and the average benefit based on this PERS service is .02 x 11 x \$64,600 or 14,200 per year. This would be \$14,200 in LEOFF 2 at age 53 vs. \$5,000 payable from PERS 2 starting at age 55 for those eligible and desiring to retire early.

FISCAL IMPACT:

Based on the data for 22 members who are known to be affected by this bill, we have determined an average cost. The actual cost will not be known until we know how many members can and will make this election.

Increase in Present Value of Projected Benefits	\$ 137,600
Amount Transferred from PERS 2	-66,200
Amount Paid by Participant	-14,000
Net Increase paid from increased contributions	57,400

The Rate Increase is divided 50%/30%/20% for the employee, employer and state respectively.

Actuarial Determinations:

The impact below is for the 22 employees who are known to be affected by this bill.

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate as shown below:

Law Enforcement Officers' and Fire Fighters' Retirement System			
<i>(Dollars in Millions)</i>	Current	Increase	Total
Actuarial Present Value of Projected Benefits	\$3,110	\$3.0	\$3,113
The Value of the Total Commitment to all Current Members			
Unfunded Actuarial Accrued Liability	N/A	N/A	N/A
The Portion of the Plan 1 Liability that is Amortized until 2024			
Unfunded Liability (PBO)	(\$931)	\$1.2	(\$930)
The Value of the Total Commitment to all Current Members Attributable to Past Service			
Required Contribution Rate			
Employee	4.02%	0.01%	4.03%
Employer	2.41%	0.01%	2.42%
State	1.61%	0.00%	1.61%

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Increase in Contribution Rates:

Employee	.01%
Employer	.01%
State	.00%

Costs (in Millions):

2002-2003

State:

General Fund	\$0.0
Non-General Fund	<u>0.0</u>
Total State	\$0.0
Local Government	\$0.1

2003-2005

State:

General Fund	\$0.0
Non-General Fund	<u>0.0</u>
Total State	\$0.0
Local Government	\$0.2

2002-2027

State:

General Fund	\$0.0
Non-General Fund	<u>0.0</u>
Total State	\$0.0
Local Government	\$5.3

State Actuary's Comments:

Although the above shows no immediate impact on the state rate, because of the open nature of who might be eligible or become eligible, the actual cost is not determinable. It is estimated that perhaps 40 medics might become eligible in King county alone, in which case the above costs would roughly triple, and the total contribution rate increase would be .02%/.01%/.01% for the employer, employee and state respectively.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal bill are based on our understanding of the bill as well as generally accepted actuarial practices including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the December 31, 2000 actuarial valuation report of the Law Enforcement Officers' and Fire Fighters' Retirement System plan 2.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:

We assume all eligible members would elect to transfer their service.

4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2001 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2 utilizes the Aggregate Funding Method. The cost of Plan 2 is spread over the average working lifetime of the current active Plan 2 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Projected Benefits: Pension benefit amounts which are expected to be paid in the taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces. The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL. The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

HOUSE BILL 2896

State of Washington

57th Legislature

2002 Regular Session

By Representatives Cooper, Delvin, Conway, Campbell, Kirby, Hurst, Jackley, Sullivan, Chase, Darneille, Santos, Ogden, Quall, Morell, Simpson, Schual-Berke, Fromhold, McDermott and Romero

Read first time 02/01/2002. Referred to Committee on Appropriations.

1 AN ACT Relating to retirement benefits for emergency medical
2 technicians; reenacting and amending RCW 41.26.030; adding a new
3 section to chapter 41.26 RCW; and providing an expiration date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 41.26.030 and 1996 c 178 s 11 and 1996 c 38 s 2 are
6 each reenacted and amended to read as follows:

7 As used in this chapter, unless a different meaning is plainly
8 required by the context:

9 (1) "Retirement system" means the "Washington law enforcement
10 officers' and fire fighters' retirement system" provided herein.

11 (2)(a) "Employer" for plan 1 members, means the legislative
12 authority of any city, town, county, or district or the elected
13 officials of any municipal corporation that employs any law enforcement
14 officer and/or fire fighter, any authorized association of such
15 municipalities, and, except for the purposes of RCW 41.26.150, any
16 labor guild, association, or organization, which represents the fire
17 fighters or law enforcement officers of at least seven cities of over
18 20,000 population and the membership of each local lodge or division of

1 which is composed of at least sixty percent law enforcement officers or
2 fire fighters as defined in this chapter.

3 (b) "Employer" for plan 2 members, means the following entities to
4 the extent that the entity employs any law enforcement officer and/or
5 fire fighter:

6 (i) The legislative authority of any city, town, county, or
7 district;

8 (ii) The elected officials of any municipal corporation;

9 (iii) The governing body of any other general authority law
10 enforcement agency; or

11 (iv) A four-year institution of higher education having a fully
12 operational fire department as of January 1, 1996.

13 (3) "Law enforcement officer" beginning January 1, 1994, means any
14 person who is commissioned and employed by an employer on a full time,
15 fully compensated basis to enforce the criminal laws of the state of
16 Washington generally, with the following qualifications:

17 (a) No person who is serving in a position that is basically
18 clerical or secretarial in nature, and who is not commissioned shall be
19 considered a law enforcement officer;

20 (b) Only those deputy sheriffs, including those serving under a
21 different title pursuant to county charter, who have successfully
22 completed a civil service examination for deputy sheriff or the
23 equivalent position, where a different title is used, and those persons
24 serving in unclassified positions authorized by RCW 41.14.070 except a
25 private secretary will be considered law enforcement officers;

26 (c) Only such full time commissioned law enforcement personnel as
27 have been appointed to offices, positions, or ranks in the police
28 department which have been specifically created or otherwise expressly
29 provided for and designated by city charter provision or by ordinance
30 enacted by the legislative body of the city shall be considered city
31 police officers;

32 (d) The term "law enforcement officer" also includes the executive
33 secretary of a labor guild, association or organization (which is an
34 employer under RCW 41.26.030(2)) if that individual has five years
35 previous membership in the retirement system established in chapter
36 41.20 RCW. The provisions of this subsection (3)(d) shall not apply to
37 plan 2 members; and

38 (e) The term "law enforcement officer" also includes a person
39 employed on or after January 1, 1993, as a public safety officer or

1 director of public safety, so long as the job duties substantially
2 involve only either police or fire duties, or both, and no other duties
3 in a city or town with a population of less than ten thousand. The
4 provisions of this subsection (3)(e) shall not apply to any public
5 safety officer or director of public safety who is receiving a
6 retirement allowance under this chapter as of May 12, 1993.

7 (4) "Fire fighter" means:

8 (a) Any person who is serving on a full time, fully compensated
9 basis as a member of a fire department of an employer and who is
10 serving in a position which requires passing a civil service
11 examination for fire fighter, and who is actively employed as such;

12 (b) Anyone who is actively employed as a full time fire fighter
13 where the fire department does not have a civil service examination;

14 (c) Supervisory fire fighter personnel;

15 (d) Any full time executive secretary of an association of fire
16 protection districts authorized under RCW 52.12.031. The provisions of
17 this subsection (4)(d) shall not apply to plan 2 members;

18 (e) The executive secretary of a labor guild, association or
19 organization (which is an employer under RCW 41.26.030(2) as now or
20 hereafter amended), if such individual has five years previous
21 membership in a retirement system established in chapter 41.16 or 41.18
22 RCW. The provisions of this subsection (4)(e) shall not apply to plan
23 2 members;

24 (f) Any person who is serving on a full time, fully compensated
25 basis for an employer, as a fire dispatcher, in a department in which,
26 on March 1, 1970, a dispatcher was required to have passed a civil
27 service examination for fire fighter; and

28 (g) Any person who on March 1, 1970, was employed on a full time,
29 fully compensated basis by an employer, and who on May 21, 1971, was
30 making retirement contributions under the provisions of chapter 41.16
31 or 41.18 RCW.

32 (5) "Department" means the department of retirement systems created
33 in chapter 41.50 RCW.

34 (6) "Surviving spouse" means the surviving widow or widower of a
35 member. "Surviving spouse" shall not include the divorced spouse of a
36 member except as provided in RCW 41.26.162.

37 (7)(a) "Child" or "children" means an unmarried person who is under
38 the age of eighteen or mentally or physically handicapped as determined

1 by the department, except a handicapped person in the full time care of
2 a state institution, who is:

3 (i) A natural born child;

4 (ii) A stepchild where that relationship was in existence prior to
5 the date benefits are payable under this chapter;

6 (iii) A posthumous child;

7 (iv) A child legally adopted or made a legal ward of a member prior
8 to the date benefits are payable under this chapter; or

9 (v) An illegitimate child legitimized prior to the date any
10 benefits are payable under this chapter.

11 (b) A person shall also be deemed to be a child up to and including
12 the age of twenty years and eleven months while attending any high
13 school, college, or vocational or other educational institution
14 accredited, licensed, or approved by the state, in which it is located,
15 including the summer vacation months and all other normal and regular
16 vacation periods at the particular educational institution after which
17 the child returns to school.

18 (8) "Member" means any fire fighter, law enforcement officer, or
19 other person as would apply under subsections (3) or (4) of this
20 section whose membership is transferred to the Washington law
21 enforcement officers' and fire fighters' retirement system on or after
22 March 1, 1970, and every law enforcement officer and fire fighter who
23 is employed in that capacity on or after such date.

24 (9) "Retirement fund" means the "Washington law enforcement
25 officers' and fire fighters' retirement system fund" as provided for
26 herein.

27 (10) "Employee" means any law enforcement officer or fire fighter
28 as defined in subsections (3) and (4) of this section.

29 (11)(a) "Beneficiary" for plan 1 members, means any person in
30 receipt of a retirement allowance, disability allowance, death benefit,
31 or any other benefit described herein.

32 (b) "Beneficiary" for plan 2 members, means any person in receipt
33 of a retirement allowance or other benefit provided by this chapter
34 resulting from service rendered to an employer by another person.

35 (12)(a) "Final average salary" for plan 1 members, means (i) for a
36 member holding the same position or rank for a minimum of twelve months
37 preceding the date of retirement, the basic salary attached to such
38 same position or rank at time of retirement; (ii) for any other member,
39 including a civil service member who has not served a minimum of twelve

1 months in the same position or rank preceding the date of retirement,
2 the average of the greatest basic salaries payable to such member
3 during any consecutive twenty-four month period within such member's
4 last ten years of service for which service credit is allowed, computed
5 by dividing the total basic salaries payable to such member during the
6 selected twenty-four month period by twenty-four; (iii) in the case of
7 disability of any member, the basic salary payable to such member at
8 the time of disability retirement; (iv) in the case of a member who
9 hereafter vests pursuant to RCW 41.26.090, the basic salary payable to
10 such member at the time of vesting.

11 (b) "Final average salary" for plan 2 members, means the monthly
12 average of the member's basic salary for the highest consecutive sixty
13 service credit months of service prior to such member's retirement,
14 termination, or death. Periods constituting authorized unpaid leaves
15 of absence may not be used in the calculation of final average salary.

16 (13)(a) "Basic salary" for plan 1 members, means the basic monthly
17 rate of salary or wages, including longevity pay but not including
18 overtime earnings or special salary or wages, upon which pension or
19 retirement benefits will be computed and upon which employer
20 contributions and salary deductions will be based.

21 (b) "Basic salary" for plan 2 members, means salaries or wages
22 earned by a member during a payroll period for personal services,
23 including overtime payments, and shall include wages and salaries
24 deferred under provisions established pursuant to sections 403(b),
25 414(h), and 457 of the United States Internal Revenue Code, but shall
26 exclude lump sum payments for deferred annual sick leave, unused
27 accumulated vacation, unused accumulated annual leave, or any form of
28 severance pay. In any year in which a member serves in the legislature
29 the member shall have the option of having such member's basic salary
30 be the greater of:

31 (i) The basic salary the member would have received had such member
32 not served in the legislature; or

33 (ii) Such member's actual basic salary received for nonlegislative
34 public employment and legislative service combined. Any additional
35 contributions to the retirement system required because basic salary
36 under (b)(i) of this subsection is greater than basic salary under
37 (b)(ii) of this subsection shall be paid by the member for both member
38 and employer contributions.

1 (14)(a) "Service" for plan 1 members, means all periods of
2 employment for an employer as a fire fighter or law enforcement
3 officer, for which compensation is paid, together with periods of
4 suspension not exceeding thirty days in duration. For the purposes of
5 this chapter service shall also include service in the armed forces of
6 the United States as provided in RCW 41.26.190. Credit shall be
7 allowed for all service credit months of service rendered by a member
8 from and after the member's initial commencement of employment as a
9 fire fighter or law enforcement officer, during which the member worked
10 for seventy or more hours, or was on disability leave or disability
11 retirement. Only service credit months of service shall be counted in
12 the computation of any retirement allowance or other benefit provided
13 for in this chapter.

14 (i) For members retiring after May 21, 1971 who were employed under
15 the coverage of a prior pension act before March 1, 1970, "service"
16 shall also include (A) such military service not exceeding five years
17 as was creditable to the member as of March 1, 1970, under the member's
18 particular prior pension act, and (B) such other periods of service as
19 were then creditable to a particular member under the provisions of RCW
20 41.18.165, 41.20.160 or 41.20.170. However, in no event shall credit
21 be allowed for any service rendered prior to March 1, 1970, where the
22 member at the time of rendition of such service was employed in a
23 position covered by a prior pension act, unless such service, at the
24 time credit is claimed therefor, is also creditable under the
25 provisions of such prior act.

26 (ii) A member who is employed by two employers at the same time
27 shall only be credited with service to one such employer for any month
28 during which the member rendered such dual service.

29 (b) "Service" for plan 2 members, means periods of employment by a
30 member for one or more employers for which basic salary is earned for
31 ninety or more hours per calendar month which shall constitute a
32 service credit month. Periods of employment by a member for one or
33 more employers for which basic salary is earned for at least seventy
34 hours but less than ninety hours per calendar month shall constitute
35 one-half service credit month. Periods of employment by a member for
36 one or more employers for which basic salary is earned for less than
37 seventy hours shall constitute a one-quarter service credit month.

1 Members of the retirement system who are elected or appointed to a
2 state elective position may elect to continue to be members of this
3 retirement system.

4 Service credit years of service shall be determined by dividing the
5 total number of service credit months of service by twelve. Any
6 fraction of a service credit year of service as so determined shall be
7 taken into account in the computation of such retirement allowance or
8 benefits.

9 If a member receives basic salary from two or more employers during
10 any calendar month, the individual shall receive one service credit
11 month's service credit during any calendar month in which multiple
12 service for ninety or more hours is rendered; or one-half service
13 credit month's service credit during any calendar month in which
14 multiple service for at least seventy hours but less than ninety hours
15 is rendered; or one-quarter service credit month during any calendar
16 month in which multiple service for less than seventy hours is
17 rendered.

18 (15) "Accumulated contributions" means the employee's contributions
19 made by a member, including any amount paid under RCW 41.50.165(2),
20 plus accrued interest credited thereon.

21 (16) "Actuarial reserve" means a method of financing a pension or
22 retirement plan wherein reserves are accumulated as the liabilities for
23 benefit payments are incurred in order that sufficient funds will be
24 available on the date of retirement of each member to pay the member's
25 future benefits during the period of retirement.

26 (17) "Actuarial valuation" means a mathematical determination of
27 the financial condition of a retirement plan. It includes the
28 computation of the present monetary value of benefits payable to
29 present members, and the present monetary value of future employer and
30 employee contributions, giving effect to mortality among active and
31 retired members and also to the rates of disability, retirement,
32 withdrawal from service, salary and interest earned on investments.

33 (18) "Disability board" for plan 1 members means either the county
34 disability board or the city disability board established in RCW
35 41.26.110.

36 (19) "Disability leave" means the period of six months or any
37 portion thereof during which a member is on leave at an allowance equal
38 to the member's full salary prior to the commencement of disability

1 retirement. The definition contained in this subsection shall apply
2 only to plan 1 members.

3 (20) "Disability retirement" for plan 1 members, means the period
4 following termination of a member's disability leave, during which the
5 member is in receipt of a disability retirement allowance.

6 (21) "Position" means the employment held at any particular time,
7 which may or may not be the same as civil service rank.

8 (22) "Medical services" for plan 1 members, shall include the
9 following as minimum services to be provided. Reasonable charges for
10 these services shall be paid in accordance with RCW 41.26.150.

11 (a) Hospital expenses: These are the charges made by a hospital,
12 in its own behalf, for

13 (i) Board and room not to exceed semiprivate room rate unless
14 private room is required by the attending physician due to the
15 condition of the patient.

16 (ii) Necessary hospital services, other than board and room,
17 furnished by the hospital.

18 (b) Other medical expenses: The following charges are considered
19 "other medical expenses", provided that they have not been considered
20 as "hospital expenses".

21 (i) The fees of the following:

22 (A) A physician or surgeon licensed under the provisions of chapter
23 18.71 RCW;

24 (B) An osteopathic physician and surgeon licensed under the
25 provisions of chapter 18.57 RCW;

26 (C) A chiropractor licensed under the provisions of chapter 18.25
27 RCW.

28 (ii) The charges of a registered graduate nurse other than a nurse
29 who ordinarily resides in the member's home, or is a member of the
30 family of either the member or the member's spouse.

31 (iii) The charges for the following medical services and supplies:

32 (A) Drugs and medicines upon a physician's prescription;

33 (B) Diagnostic x-ray and laboratory examinations;

34 (C) X-ray, radium, and radioactive isotopes therapy;

35 (D) Anesthesia and oxygen;

36 (E) Rental of iron lung and other durable medical and surgical
37 equipment;

38 (F) Artificial limbs and eyes, and casts, splints, and trusses;

1 (G) Professional ambulance service when used to transport the
2 member to or from a hospital when injured by an accident or stricken by
3 a disease;

4 (H) Dental charges incurred by a member who sustains an accidental
5 injury to his or her teeth and who commences treatment by a legally
6 licensed dentist within ninety days after the accident;

7 (I) Nursing home confinement or hospital extended care facility;

8 (J) Physical therapy by a registered physical therapist;

9 (K) Blood transfusions, including the cost of blood and blood
10 plasma not replaced by voluntary donors;

11 (L) An optometrist licensed under the provisions of chapter 18.53
12 RCW.

13 (23) "Regular interest" means such rate as the director may
14 determine.

15 (24) "Retiree" for persons who establish membership in the
16 retirement system on or after October 1, 1977, means any member in
17 receipt of a retirement allowance or other benefit provided by this
18 chapter resulting from service rendered to an employer by such member.

19 (25) "Director" means the director of the department.

20 (26) "State actuary" or "actuary" means the person appointed
21 pursuant to RCW 44.44.010(2).

22 (27) "State elective position" means any position held by any
23 person elected or appointed to statewide office or elected or appointed
24 as a member of the legislature.

25 (28) "Plan 1" means the law enforcement officers' and fire
26 fighters' retirement system, plan 1 providing the benefits and funding
27 provisions covering persons who first became members of the system
28 prior to October 1, 1977.

29 (29) "Plan 2" means the law enforcement officers' and fire
30 fighters' retirement system, plan 2 providing the benefits and funding
31 provisions covering persons who first became members of the system on
32 and after October 1, 1977.

33 (30) "Service credit year" means an accumulation of months of
34 service credit which is equal to one when divided by twelve.

35 (31) "Service credit month" means a full service credit month or an
36 accumulation of partial service credit months that are equal to one.

37 (32) "General authority law enforcement agency" means any agency,
38 department, or division of a municipal corporation, political
39 subdivision, or other unit of local government of this state, and any

1 agency, department, or division of state government, having as its
2 primary function the detection and apprehension of persons committing
3 infractions or violating the traffic or criminal laws in general, but
4 not including the Washington state patrol. Such an agency, department,
5 or division is distinguished from a limited authority law enforcement
6 agency having as one of its functions the apprehension or detection of
7 persons committing infractions or violating the traffic or criminal
8 laws relating to limited subject areas, including but not limited to,
9 the state departments of natural resources, fish and wildlife, and
10 social and health services, the state gambling commission, the state
11 lottery commission, the state parks and recreation commission, the
12 state utilities and transportation commission, the state liquor control
13 board, and the state department of corrections.

14 (33) "Emergency medical technician" means a person serving on a
15 full-time, fully compensated basis with a fire department of an
16 employer as an emergency medical service provider.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.26 RCW
18 under the subchapter heading "plan 2" to read as follows:

19 (1) An employee who was a member of the public employees'
20 retirement system employed as an emergency medical technician for a
21 city, town, or county; is employed as an emergency medical technician
22 for a fire department of a city, town, or county; and whose job was
23 relocated from another department of a city, town, or county government
24 to a fire department of that same city, town, or county; has the
25 following options:

26 (a) Remain a member of the public employees' retirement system; or

27 (b) Leave any service credit earned as a member of the public
28 employees' retirement system in the public employees' retirement
29 system, and have all future service earned in the law enforcement
30 officers' and fire fighters' retirement system plan 2, becoming a dual
31 member under the provisions of chapter 41.54 RCW; or

32 (c) Make an election, filed in writing with the department of
33 retirement systems, to transfer service credit previously earned as an
34 emergency medical technician for a city, town, or county in the public
35 employees' retirement system plan 2 to the law enforcement officers'
36 and fire fighters' retirement system plan 2 as defined in RCW
37 41.26.030.

1 (2)(a) An employee who elects to transfer service credit under
2 subsection (1)(c) of this section shall make the payments required by
3 this subsection prior to having service credit earned as an emergency
4 medical technician for a city, town, or county under the public
5 employees' retirement system plan 2 transferred to the law enforcement
6 officers' and fire fighters' retirement system plan 2.

7 (b) An emergency medical technician who chooses to transfer service
8 credit under this subsection shall pay, for the applicable period of
9 service, the difference between the contributions the employee paid to
10 the public employees' retirement system plan 2 and the contributions
11 that would have been paid by the employee had the employee been a
12 member of the law enforcement officers' and fire fighters' retirement
13 system plan 2, plus interest on this difference as determined by the
14 director. This payment must be made no later than five years from the
15 effective date of the election made under subsection (1)(b) of this
16 section or the date of retirement, whichever comes first.

17 (c) Upon completion of the payment required in (b) of this
18 subsection, the department shall transfer from the public employees'
19 retirement system plan 2 to the law enforcement officers' and fire
20 fighters' retirement system plan 2: (i) All of the employee's
21 applicable accumulated contributions plus interest and an equal amount
22 of employer contributions; and (ii) all applicable months of service,
23 as defined in RCW 41.26.030(14)(b), credited to the employee under this
24 chapter for service as an emergency medical technician for a city,
25 town, or county as though that service was rendered as a member of the
26 law enforcement officers' and fire fighters' retirement system plan 2.

27 (d) Upon transfer of service credit, contributions, and interest
28 under this subsection, the employee is permanently excluded from
29 membership in the public employees' retirement system plan 2 for all
30 service as an emergency medical technician.

31 NEW SECTION. **Sec. 3.** This act expires July 1, 2007.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

CODE:

DATE:

BILL NUMBER:

Office of the State Actuary

035

02/27/02

SHB 2896

SUMMARY:

This bill impacts members of the Public Employees' Retirement System Plan 2 (PERS 2) and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) by enabling emergency medical technicians whose jobs were transferred from non-LEOFF employer city, town or county departments to fire departments to move past service credit earned as an emergency medical technician in PERS 2 to LEOFF 2.

To move eligible past service credit from PERS 2 to LEOFF 2, an employee is required to make a payment to the retirement system to make up for the difference in contributions, plus interest, that the employee would have made had they been in LEOFF 2 for the PERS 2 service being transferred. Upon completion of the employee's differential payment, an amount equal to the employee's PERS 2 contributions plus interest, and an equal amount of employer contributions, are moved from PERS 2 to LEOFF 2. Within five years of the completion of the employee's payment, the employer shall also pay an amount sufficient to ensure that contribution level of LEOFF 2 will not increase due to this transfer.

This act expires July 1, 2007.

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

A member who is employed by a department of a city or county government, like a health department, as an emergency medical technician will normally be a member of PERS. A member who is employed by a city or county fire department as a fire fighter and/or emergency medical technician may be a member of LEOFF 2. The difference is, in part, because the city or county health department is not an eligible employer for LEOFF 2.

If an employee's job has been moved from a health department to a fire department, for example through the reorganization of city or county services, they may have service credit for periods of their work as an emergency medical technician in each of PERS and LEOFF, entitling them to portability benefits from each plan under Chapter 41.54 RCW.

MEMBERS IMPACTED:

We have been provided data on 6 Camas County fire fighters and 16 Snohomish County medics who are now in LEOFF. Most have prior service in PERS 2. One has service in PERS 1, another is in LEOFF 1. Two others have cashed out their savings fund in PERS 2 and no longer have prior service with PERS 2.

We do not have data on any other eligible members out of the 126,428 active PERS 2 members or the 13,133 active LEOFF 2 members.

Based on the data supplied and assuming the transfer payment is made on the valuation date, the average person would be required to pay \$14,000 to have an average of 11 years of service transferred. Those in LEOFF 2 are eligible to retire at age 53 with an unreduced benefit, and those with 20 or more years of service could retire at age 50 with 91% of their benefit. If this service remained in PERS 2 only those with 20 or more years could retire at age 55 with 35% of their unreduced benefit. The estimated average pay for this group is currently \$64,600 and the average benefit based on this PERS service is .02 x 11 x \$64,600 or 14,200 per year. This would be \$14,200 in LEOFF 2 at age 53 vs. \$5,000 payable from PERS 2 starting at age 55 for those eligible and desiring to retire early.

FISCAL IMPACT:

Based on the data for 22 members who are known to be affected by this bill, we have determined an average cost. The actual cost will not be known until we know how many members can and will make this election.

Increase in Present Value of Projected Benefits	\$ 137,600
Amount Transferred from PERS 2	-66,200
Amount Paid by Participant	<u>-14,000</u>
Net Increase paid by employer	57,400

Actuarial Determinations:

The impact below is for the 22 employees who are known to be affected by this bill.

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System. The employer is required by the bill to make a payment which will keep the contribution rates from increasing.

Law Enforcement Officers' and Fire Fighters' Retirement System			
<i>(Dollars in Millions)</i>			
	Current	Increase	Total
Actuarial Present Value of Projected Benefits	\$3,110	\$3.0	\$3,113
The Value of the Total Commitment to all Current Members			
Unfunded Actuarial Accrued Liability	N/A	N/A	N/A
The Portion of the Plan 1 Liability that is Amortized until 2024			
Unfunded Liability (PBO)	(\$931)	\$0.0	(\$931)
The Value of the Total Commitment to all Current Members Attributable to Past Service			
Required Contribution Rate			
Employee	4.02%	0.00%	4.02%
Employer	2.41%	0.00%	2.41%
State	1.61%	0.00%	1.61%

Fiscal Budget Determinations:

None.

The employer is required by the bill to make a payment which will keep the contribution rates from increasing.

State Actuary's Comments:

Because of the open nature of who might be eligible or become eligible, the actual total employer cost is not determinable. The cost per employee is based in part on those who transferred in 1993 and are likely to have a lower cost than employees in other groups with more past service to transfer.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal bill are based on our understanding of the bill as well as generally accepted actuarial practices including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the December 31, 2000 actuarial valuation report of the Law Enforcement Officers' and Fire Fighters' Retirement System plan 2.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:

We assume all eligible members would elect to transfer their service.

4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2001 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2 utilizes the Aggregate Funding Method. The cost of Plan 2 is spread over the average working lifetime of the current active Plan 2 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Projected Benefits: Pension benefit amounts which are expected to be paid in the taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces. The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL. The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

SUBSTITUTE HOUSE BILL 2896

State of Washington

57th Legislature

2002 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Cooper, Delvin, Conway, Campbell, Kirby, Hurst, Jackley, Sullivan, Chase, Darneille, Santos, Ogden, Quall, Morell, Simpson, Schual-Berke, Fromhold, McDermott and Romero)

Read first time 02/12/2002. Referred to Committee on .

1 AN ACT Relating to retirement benefits for emergency medical
2 technicians; adding a new section to chapter 41.26 RCW; and providing
3 an expiration date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.26 RCW
6 under the subchapter heading "plan 2" to read as follows:

7 (1) An employee who is eligible for membership and was a member of
8 the public employees' retirement system while employed providing
9 emergency medical services for a city, town, county, or district and
10 whose job was relocated from another department of a city, town,
11 county, or district to a fire department has the following options:

12 (a) Remain a member of the public employees' retirement system; or

13 (b) Leave any service credit earned as a member of the public
14 employees' retirement system in the public employees' retirement
15 system, and have all future service earned in the law enforcement
16 officers' and fire fighters' retirement system plan 2, becoming a dual
17 member under the provisions of chapter 41.54 RCW; or

18 (c) Make an election, filed in writing with the department of
19 retirement systems, to transfer service credit previously earned as an

1 emergency medical technician for a city, town, county, or district in
2 the public employees' retirement system plan 2 to the law enforcement
3 officers' and fire fighters' retirement system plan 2 as defined in RCW
4 41.26.030.

5 (2)(a) A member who elects to transfer service credit under
6 subsection (1)(c) of this section shall make the payments required by
7 this subsection prior to having service credit earned as an emergency
8 medical technician for a city, town, county, or district under the
9 public employees' retirement system plan 2 transferred to the law
10 enforcement officers' and fire fighters' retirement system plan 2.

11 (b) A member who elects to transfer service credit under this
12 subsection shall pay, for the applicable period of service, the
13 difference between the contributions the employee paid to the public
14 employees' retirement system plan 2 and the contributions that would
15 have been paid by the employee had the employee been a member of the
16 law enforcement officers' and fire fighters' retirement system plan 2,
17 plus interest on this difference as determined by the director. This
18 payment must be made no later than five years from the effective date
19 of the election made under subsection (1)(b) of this section or the
20 date of retirement, whichever comes first.

21 (c) For the applicable period of service, the employer shall pay an
22 amount sufficient to ensure that the contribution level to the law
23 enforcement officers' and fire fighters' retirement system will not
24 increase due to this transfer. This payment must be made within five
25 years of the completion of the employee payment in (b) of this
26 subsection.

27 (d) Upon completion of the payment required in (b) of this
28 subsection, the department shall transfer from the public employees'
29 retirement system plan 2 to the law enforcement officers' and fire
30 fighters' retirement system plan 2: (i) All of the employee's
31 applicable accumulated contributions plus interest and an equal amount
32 of employer contributions; and (ii) all applicable months of service,
33 as defined in RCW 41.26.030(14)(b), credited to the employee under this
34 chapter for service as an emergency services provider for a city, town,
35 county, or district as though that service was rendered as a member of
36 the law enforcement officers' and fire fighters' retirement system plan
37 2.

38 (e) Upon transfer of service credit, contributions, and interest
39 under this subsection, the employee is permanently excluded from

1 membership in the public employees' retirement system plan 2 for all
2 service transfers.

3 NEW SECTION. **Sec. 2.** This act expires July 1, 2007.

--- END ---

2 **HB 2896** - S COMM AMD
3 By Committee on Ways & Means

4 ADOPTED 03/12/02

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. Sec. 1. A new section is added to chapter 41.26 RCW
8 under the subchapter heading "plan 2" to read as follows:

9 (1) An employee who is eligible for membership and was a member of
10 the public employees' retirement system while employed providing
11 emergency medical services for a city, town, county, or district and
12 whose job was relocated from another department of a city, town,
13 county, or district to a fire department has the following options:

14 (a) Remain a member of the public employees' retirement system; or

15 (b) Leave any service credit earned as a member of the public
16 employees' retirement system in the public employees' retirement
17 system, and have all future service earned in the law enforcement
18 officers' and fire fighters' retirement system plan 2, becoming a dual
19 member under the provisions of chapter 41.54 RCW; or

20 (c) Make an election, filed in writing with the department of
21 retirement systems, to transfer service credit previously earned as an
22 emergency medical technician for a city, town, county, or district in
23 the public employees' retirement system plan 1 or plan 2 to the law
24 enforcement officers' and fire fighters' retirement system plan 2 as
25 defined in RCW 41.26.030. Service credit that a member elects to
26 transfer from the public employees' retirement system to the law
27 enforcement officers' and fire fighters' retirement system under this
28 section shall be transferred no earlier than five years after the
29 effective date the member elects to transfer, and only after the member
30 earns five years of service credit as a fire fighter following the
31 effective date the member elects to transfer.

32 (2)(a) A member who elects to transfer service credit under
33 subsection (1)(c) of this section shall make the payments required by
34 this subsection prior to having service credit earned as an emergency
35 medical technician for a city, town, county, or district under the
36 public employees' retirement system plan 1 or plan 2 transferred to the

1 law enforcement officers' and fire fighters' retirement system plan 2.
2 However, in no event shall service credit be transferred earlier than
3 five years after the effective date the member elects to transfer, or
4 prior to the member earning five years of service credit as a fire
5 fighter following the effective date the member elects to transfer.

6 (b) A member who elects to transfer service credit under this
7 subsection shall pay, for the applicable period of service, the
8 difference between the contributions the employee paid to the public
9 employees' retirement system plan 1 or plan 2 and the contributions
10 that would have been paid by the employee had the employee been a
11 member of the law enforcement officers' and fire fighters' retirement
12 system plan 2, plus interest on this difference as determined by the
13 director. This payment must be made no later than five years from the
14 effective date of the election made under subsection (1)(b) of this
15 section.

16 (c) No earlier than five years after the effective date the member
17 elects to transfer service credit under this section and upon
18 completion of the payment required in (b) of this subsection, the
19 department shall transfer from the public employees' retirement system
20 plan 1 or plan 2 to the law enforcement officers' and fire fighters'
21 retirement system plan 2: (i) All of the employee's applicable
22 accumulated contributions plus interest and an equal amount of employer
23 contributions; and (ii) all applicable months of service, as defined in
24 RCW 41.26.030(14)(b), credited to the employee under this chapter for
25 service as an emergency services provider for a city, town, county, or
26 district as though that service was rendered as a member of the law
27 enforcement officers' and fire fighters' retirement system plan 2.

28 (d) Upon transfer of service credit, contributions, and interest
29 under this subsection, the employee is permanently excluded from
30 membership in the public employees' retirement system for all service
31 transfers.

32 NEW SECTION. **Sec. 2.** This act expires July 1, 2007."

1 **HB 2896** - S COMM AMD
2 By Committee on Ways & Means

3 ADOPTED 03/12/02

4 On page 1, line 2 of the title, after "technicians;" strike the
5 remainder of the title and insert "adding a new section to chapter
6 41.26 RCW; and providing an expiration date."

EFFECT: Emergency medical technicians eligible to transfer service credit in the act must wait five years and earn five years of service credit after their election to have service credit transferred from the public employees' retirement system to the law enforcement officers' and fire fighters' retirement system. Members meeting the requirements of the section with service credit in the public employees' retirement system plan 1, as well as plan 2, may transfer service credit to the law enforcement officers' and fire fighters' retirement system plan 2.

--- END ---

Governance

SHB 3010, Proposed Striking Amendment, and other recommendations

SHB 3010	
Creates	Select Committee on Pension Policy
Repeals	Joint Committee on Pension Policy
Staff	Office of the State Actuary
Members	<u>16 Members</u> <ul style="list-style-type: none">- 4 Senate members- 4 House members- 4 Active representatives- 2 Retiree representatives- 2 Employer representatives
Duties	<ul style="list-style-type: none">- Study pension issues- Develop pension policies- Study financial conditions of state pension systems- Develop funding policies- Make recommendations to the legislature
Other	<ul style="list-style-type: none">- Places OSA under the Pension Funding Council.- PFC may appoint or remove the State Actuary

Amendment S4910.1 - This amendment would add another 2 employer representatives to membership for a total of 4, and also add the directors of OFM and DRS, increasing total board membership to 20. The amendment would also provide that at least 3 of the 4 members from each chamber of the legislature shall be from Appropriations and Ways and Means Committees.

Executive Committee Recommendation - Include 2 additional gubernatorial appointees rather than the directors of OFM and DRS.